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THE WORLD AGRICULTURAL SITUATION

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CONTENTS

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LIST OF TABLES

1963 WORLD AGRICULTURAL SITUATION

WORLD SITUATION

SUMMARY

Some progress toward a better balance between world agricultural production and effective demand was made in 1962, and further progress is expected in 1963. World agricultural output for crop year 1962-63 is estimated at about 3 percent above that of 1961-62. The high level of agricultural trade reached in 1961 was continued in 1962.

World export prices of primary food products in 1962 generally rose slightly after several years of steady decline. Decreases occurred among some nonfood farm products, and for some edible oils. The 1 percent increase in per capita production of farm products in 1962-63 is not expected to lower prices, because of gains in consumer income.

Increases in production in 1962-63 over 1961-62 are expected for several grains, cotton, tobacco, cocoa beans, tea, most fruits, and several oilseeds. Production of most animal products was larger in 1962 than in 1961, the chief exception being wool the output of which may have declined slightly. Production of certain commodities, especially wheat, rice, barley, and flaxseed, was stimulated in 1962-63 by strong demand in 1961-62, following small crops in some major producing countries, and subsequent reductions in carryover stocks. Decreases in production from 1961-62 to 1962-63 are in view for coffee, potatoes, corn, oats, soybeans, dry beans, olive oil, jute, and hard fibers as a group.

In most free areas of the world, conditions for agricultural production and trade thus far have been favorable during crop year 1962-63. Weather conditions generally have been favorable in the Western Hemisphere, though drought has adversely affected production, particularly of forage crops in several areas. In Mexico corn production was reduced, and in Uruaguay cattle and sheep losses occurred. Despite unfavorable planting and growing conditions in some European countries, Western Europe had a record output of livestock and crops in 1962.

In 1962 agricultural output in Eastern Europe was reduced by cool wet weather in the northern regions and by drought in the Danubian countries and the southern regions of European U. S. S. R. Both grain and cotton production were reduced by lack of water in Soviet parts of Asia. In communist China, improved weather is expected to bring an 8 to 10 percent increase in grain production, and increases in most other major crops in 1962-63 above the 1961-62 level. Political considerations and lack of producer incentives continued to retard production in 1962 in the U. S. S. R. and communist China.

Production in 1962-63 is expected to be up sharply in West Asia and in much of Africa, except the Congo: substantially higher in Cambodia, Ceylon, Japan, Federation of Malaya, South Vietnam, Taiwan, and Australia; and slightly higher in most south and east Asian countries.

World agricultural trade in 1962 on the basis of preliminary data appears to have been about the same as in 1961 when there was a record 5 percent increase from 1960. The level of trade in the first half of 1962 was up slightly from the same period of 1961. This rise stemmed in part from: increased commercial movement of commodities into Western Europe and Southeast Asia as a result of short grain crops there in 1961; stockpiling of several products in countries of the European Economic Community (Common Market); a rise in intra-EEC trade; grain movements from Australia, Canada, and other countries into communist China; and the programming of agricultural commodity aid to less developed countries.

Among the factors that likely will contribute to a continued high level of world agricultural exports in 1963 are the sustained economic growth in the more industrialized countries and the record holdings of gold and dollars in many of the principal importing countries. Surplus-producing countries probably will have substantial exportable supplies and are expected to intensify their market promotion programs. For the countries of the free world lacking sufficient foreign exchange, exports will continue to be made available under U.S. Government-financed export programs, and to an increasing extent by economic assistance of other Nations.

The recent implementation of the Common Agricultural Policy (CAP) of the European Economic Community may have an adverse effect on agricultural exports of nonmembers in the year ahead. Though it is impossible to measure in advance the effects of the EEC's variable levy system there are indications that it may curtail imports of several products, including wheat, wheat flour, and feed grains. Poultry and egg import levies of member countries effective August 1, 1962, under EEC's agricultural policy have been a factor in reducing imports from nonmember countries.

Several developments in 1962 tended to create increasing responsibility on the part of countries in sharing food aid and economic development needs, formerly carried to a large extent by the United States. The Organization for Economic Cooperation and Development with the cooperation of Japan is working on this problem, particularly regarding aid to Africa and Asia. The Colombo plan also continues to serve as a framework for coordinating aid in South Asia, Southeast Asia, and the Southwest Pacific. The Alliance for Progress has worked out guide lines and begun integrated economic aid for Latin American countries. In a United Nations-FAO program 37 UN and FAO members pledged more than $87 million over a 3-year period to provide emergency aid in agricultural commodities and in other forms.

International commodity conferences were held during 1962 resulting in a renewal of the International Wheat Agreement and the conclusion of a new International Coffee Agreement. Discussions with respect to an international cocoa arrangement took place in Rome during November and December. Arrangements of this type which reduce undue fluctuations in prices and trade for tropical as well as other products should help the balance-of-payments positions of less developed countries, reduce their need for aid, and, in time, increase commercial trade.

The U. S. Department of Agriculture's long term economic projections point to a rising level of world trade in agricultural products, including exports of the United States, assuming continued high level of economic activity in more developed countries, continuation of economic development in the less developed countries, and increasing access to commercial markets over the world.

Developments of considerable significance to world and U.S. agriculture occurred in 1962. The estimated rise in world agricultural output of about 3 percent in 1962-63 above the 1961-62 level is only slightly greater than the growth in population, but below the rise in industrial output. (See table 1.) As a result of these and other conditions price adjustments occurred in 1962 that were for the most part favorable to agriculture. Export prices of primary food stuffs rose slightly and prices of manufactured products tended to stablize. Reserve stocks of farm products were reduced in surplus producing countries. In some of the heavily populated food deficit countries reserves tended to prevent sharp domestic price rises.

Production

World production of the major agricultural products is expected to reach new highs in 1962-63. (See figure 1.) Bread grain production is estimated 7 percent above 1961-62. Rice, excluding communist China, is setting a new record, probably 2 percent above the previous year. The total feed grain tonnage is running slightly larger than a year earlier as a record output of barley is expected to more than offset declines in corn and oats production.

Production of vegetable oil in calendar year 1963 likely will be only slightly above 1962, but the supplies of animal fats are expected to increase moderately over the previous year. The output of meats, milk, and eggs in 1962 continued their post-war increase. Production of potatoes and dry beans was sharply reduced over large areas of Europe. Coffee and jute crops, although large, were down considerably from 1961. Production of tobacco and cotton set new records in 1962-63; production of sugar and wool was little changed from the previous year. (See table 2.)

Supply and trade

World agricultural output in 1962-63 is expected to be slightly larger on a per capita basis than in 1961-62. The supply resulting from 1962-63 production plus carryover stocks should be sufficient to provide a diet fully as adequate as in 1961-62. Barring unforeseen developments that would obstruct normal marketing of agricultural products domestically and abroad consumer demand may be expected to rise. The major forces in the world economy continue to favor increased consumption of agricultural products. World industrial activity is increasing more rapidly than population. The total output of mining and manufacturing industries in the world was 4 percent higher in 1961 than in 1960, and from April to June 1962, about 7 percent higher than the same period in 1961.

World agricultural exports, at constant prices, were 5 percent higher in 1961 than in 1960,

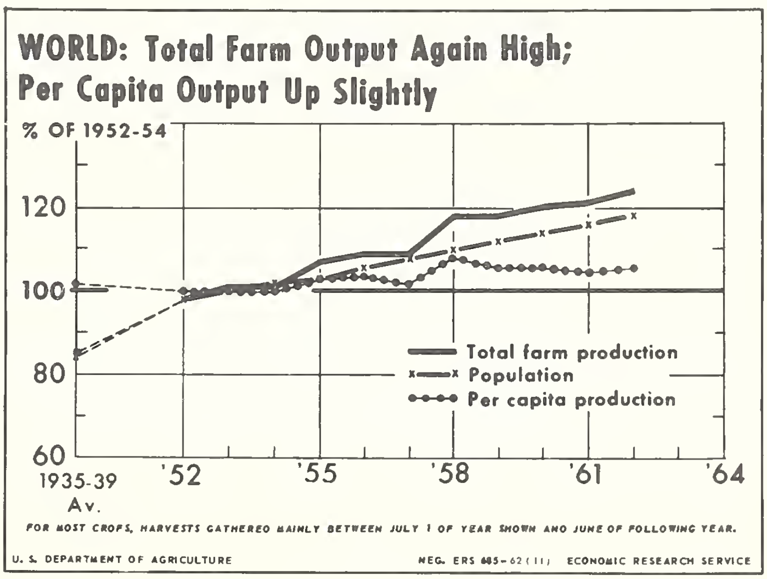

Figure 1

Table 1.--Indices of world agricultural production, total and per capita by regions, average 1935-39 and annual 1959-60 to 1962-63 1/

(Average 1952-53 to 1954-55 = 100)

Region	Average 1935-39	1959-60	1960-61	Preliminary 1961-62	Estimates 1962-63
	Total				
Canada	68	98	105	86	114
United States	69	111	114	115	115
Latin America	72	126	126	130	129
Western Europe	81	112	119	117	121
Eastern Europe	106	128	127	128	128
Soviet Union	100	129	126	129	130
Other Eastern Europe	119	127	129	126	122
Far East 2/	88	122	127	131	133
Western Asia	69	121	121	124	129
Africa	80	120	125	120	128
Oceania 3/	78	121	125	127	132
World 4/	85	118	120	120	124
	Per capita				
	Average 1935-39	1959-60	1960-61	Preliminary 1961-62	Estimates 1962-63
Canada	92	83	87	70	91
United States	85	100	101	100	99
Latin America	103	107	104	104	101
Western Europe	92	107	112	110	113
Eastern Europe	107	118	115	115	113
Soviet Union	101	117	112	113	112
Other Eastern Europe	120	120	121	118	113
Far East 2/	110	108	110	111	111
Western Asia	97	103	100	99	101
Africa	107	105	107	101	105
Oceania 3/	103	105	107	107	109
World 4/	102	105	105	104	105

1/ Value of production at constant prices. Crops included in the index are harvested mainly between July 1 of the first year shown and June of the following year. For a few crops and most livestock production, estimates are for the calendar year of the first year shown. 2/ Excluding Communist Asia. 3/ Australia and New Zealand. 4/ Including estimates for Communist Asia.

and indications are that trade at a high level was maintained in 1962. (See figure 2.) The overall rise in world exports in 1961 was attributed primarily to increased amounts of wheat, sugar, wool, coffee, barley, cocoa beans, natural rubber, and corn entering world markets.

U. S. agricultural commodities accounted for 18 percent of world agricultural export volume in 1961. This was a little less than in the previous year, since the United States did not share in the 5 percent overall rise in world agricultural trade volume from 1960 to 1961. The volume of U. S. agricultural exports in 1961 remained substantially unchanged from 1960. In value terms, however, U. S. farm product exports advanced 4 percent in 1961 to a calendar-year record high of $5,030 million. Other countries exported 4 percent more of the commodities that did not compete with U. S. agricultural products and 6 percent more of the commodities that competed in part with U. S. products. A substantial part of this 6 percent rise reflected shipments of grain from Canada, Australia, Argentina, and France to communist China.

The 1,702 million bushels of wheat (including the wheat equivalent of flour) exported by all countries in the year ending June 30, 1962, was 12 percent above the level of the previous year, and an all-time record high. A reduction of possibly 150 million bushels in world exports may be expected for 1962-63, with strong competition among exporting countries for existing markets. Substantially increased production occurred in Western Europe, India, communist China, and some other areas which have imported large quantities of wheat in recent years. U. S. exports of wheat and wheat flour may not materially exceed 600 million bushels in the year 1962-63. This compares with a record of 716 million bushels the previous year. World rice exports, excluding communist countries, were 5.8 million metric tons in 1961 compared with 5.4 million tons in 1960 and 4.9 million tons in 1959. Exports in 1962 are estimated to be moderately above the level of 1961, reflecting a short 1961-62 crop in some rice consuming countries of Southeast Asia, population growth, and modest improvements in the economic status of consumers in the less developed countries. Reduced rice supplies among usual Southeast Asian export countries curtailed trade in the third quarter of calendar year 1962. With world carryover stocks at a low level and demand strong, trade in rice is expected to continue at a high level in 1963.

The world trade in coarse grains, estimated at 27 million metric tons in the year ending June 30, 1962, showed a sharp increase over the 1960-61 level. Increased feed grain production in Western Europe, especially the record barley outturn, larger quantities of feed wheat available in France, and implementation of the EEC Common Agricultural Policy are factors that may reduce European imports in 1962-63. World demand on the whole, however, is expected to remain strong. United States exports of feed grains in 1962-63 are likely to be about 1 million metric tons below the record of 14 million in 1961-62. Most

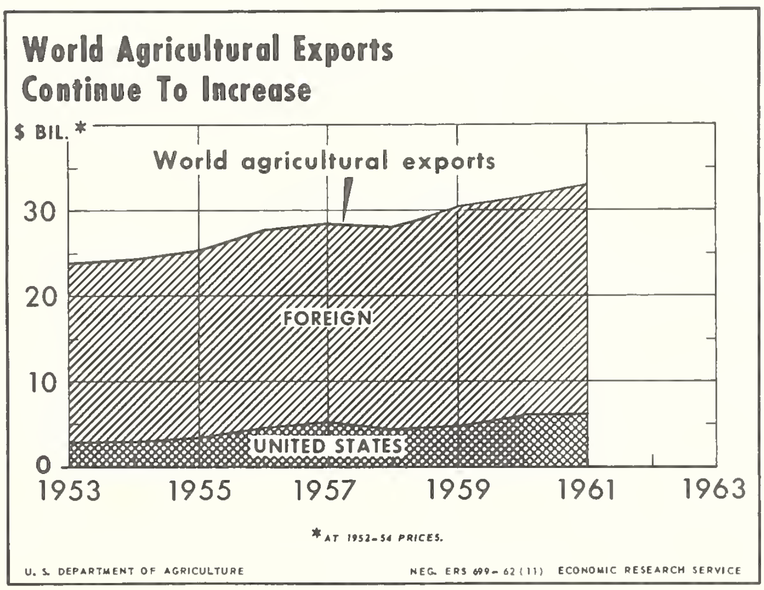

Figure 2

Table 2.--Estimated world production of selected agricultural commodities, average 1950-54, annual 1959-60 to 1962-63

Commodity	Unit	Average 1950-54	1959-60	1960-61	1961-62 1/	1962-63 1/	Percent increase 1962-63 over 1961-62
Wheat	Mil. bu.	6,975	8,155	8,160	7,875	8,500	8
Rye	Mil. bu.	1,455	1,440	1,330	1,340	1,350	1
Rice, rough 2/	Mil. metr. t.	114.7	143.3	149.9	150.4	153.2	2
Rice (milled-equivalent)	Mil. metr. t.	76.5	95.5	99.9	100.3	102.1	2
Corn	Mil. bu.	5,345	7,295	7,565	7,410	7,310	-1
Barley	Mil. bu.	2,700	3,285	3,560	3,410	3,720	9
Oats	Mil. bu.	4,160	3,710	3,955	3,410	3,375	-1
Sugar, centrifugal 3/	Mil. s.t.	39.1	54.0	60.1	56.0	56.2	0
Sugar, non-cent.	Mil. s.t.	5.8	7.8	7.4	8.3	8.7	4
Fruits, citrus	Mil. s.t.	4/14.2	17.3	16.4	17.9	18.0	1
Apples and pears 5/	Mil. bu.	554	631	770	678	720	6
Potatoes 6/	Mil. cwt.	3,295	3,348	3,539	3,454	3,300	-4
Dry beans 7/	Mil. cwt.	73.5	93.2	99.2	102.4	95.2	-7
Dry peas 8/	Mil. cwt.	12.6	13.3	12.6	10.6	12.6	18
Hops 9/	Mil. lb.	144	181	177	149	170	14
Soybeans	Mil. bu.	684	950	945	1,106	1,081	-2
Peanuts	Mil. s.t.	11.6	13.6	15.0	15.4	15.8	3
Flaxseed	Mil. bu.	110	121	124	117	133	14
Cottonseed	Mil. s.t.	18.7	22.7	23.0	23.1	24.1	4
Sesame seed	1,000 s.t.	1,952	1,569	1,496	1,544	1,550	0
Castor beans	1,000 s.t.	503	554	657	595	650	9
Sunflower seed	1,000 s.t.	4,259	5,446	6,954	6,954	7,140	3
Rapeseed	1,000 s.t.	3,311	4,002	4,030	4,255	4,366	3
Olive oil	1,000 s.t.	1,080	1,305	1,480	1,315	1,120	-15
Palm oil	1,000 s.t.	1,285	1,455	1,430	1,400	1,400	0
Palm kernel oil	1,000 s.t.	420	435	415	410	410	0
Coconut oil	1,000 s.t.	2,085	2,220	2,350	2,070	2,200	6
Butter 10/	1,000 s.t.	4,475	5,050	5,250	5,400	5,500	3
Meats 11/	Mil. cwt.	4/811	985	1,004	1,026	1,050	2
Milk	Mil. cwt.	6,096	6,421	6,633	6,810	6,870	1
Eggs 12/	Billion	4/140	200	201	205	211	3
Lard	Mil. s.t.	4/2.9	3.6	3.7	4.1	4.2	2
Tallow and greases	Mil. s.t.	4/2.7	3.5	3.7	3.7	3.8	3
Tobacco	Mil. lb.	7,811	8,503	8,657	8,735	9,078	4
Coffee	Mil. 60-kg. bags	41.0	78.9	65.4	71.2	65.9	-7
Tea	Mil. lb.	1,486	2,062	2,080	2,199	2,255	3
Cocoa	Mil. lb.	1,666	2,247	2,635	2,560	2,818	10
Cotton	Mil. bales 13/	38.9	46.6	47.2	47.2	49.2	4
Wool	Mil. lb.	4/4,575	5,630	5,615	5,715	5,710	0
Jute	Mil. lb.	3,885	4,440	3,625	5,520	5,000	-9
Sisal	Mil. lb.	816	1,305	1,350	1,371	1,278	-7
Henequen	Mil. lb.	254	311	326	362	357	-1
Abaca	Mil. lb.	280	244	232	195	222	14

Note: Revised series. The data relate to the calendar year of the first year shown for tobacco, fats, oils and oilseeds, livestock products, tea, and hard fibers. For other commodities, harvests in northern countries in the first year shown are combined with those in the Southern Hemisphere which immediately follow.

1/ Preliminary. 2/ Excludes Communist Asia and U. S. S. R. 3/ Selected countries only. 4/1951-55 average. 5/ Dessert and cooking, 20 countries. 6/ 31 countries. 7/ 28 countries. 8/ 19 countries. 9/ 21 countries. 10/ Product weight; includes ghee. 11/ 41 countries; excludes poultry. 12/ 32 countries. 13/ Bales of 480 pounds net.

Prepared in Foreign Agricultural Service.

of the decline is expected to occur in shipments to Europe which customarily takes two-thirds of the U. S. total.

World cotton exports in the marketing year beginning August 1, 1962, are expected to be about 1 million bales above the 15.3 million of last season. Consumption of cotton in foreign countries is expected again to total more than 39.0 million bales, near the record highs of recent years. Foreign export availabilities are over a million bales larger than last season, as a result of a substantial increase in production. At the same time, stocks in foreign importing countries are the smallest in several years, and raw cotton prices are lower than last season. U. S. exports of cotton for the year beginning August 1, 1962, are expected to total about 5.0 million bales, about the same as in the previous season.

World exports of oilseeds and products advanced to new records in 1962, and they are expected to set new records again in 1963. A record level of 6 million metric tons of oilseeds and oil, in terms of oil equivalent, may be reached in 1963, a rise of 5 percent above the level of 1962. Copra, cottonseed, and most other oilseed or oil exports, except olive oil, are expected to be higher in 1963 than in 1962. However, soybeans, as in recent years, are expected to show the largest growth. U.S. soybean exports likely will exceed the 1961-62 record of 153 million bushels, as a result of the strong West European demand for protein meal along with a sharp rise in demand for soybean oil to make up for reduced supplies of olive oil in the Mediterranean Basin.

World demand and the level of world trade continue to rise for meats, many other animal products, fruit, processed vegetables, dry pulses, and tobacco. U. S. exports of animal products were $627 million in fiscal year 1961-62, and mainly by donations could rise above $700 million in the year 1962-63, with some increases in butter, cheese, nonfat dry milk, and tallow, but little change in exports of hides, skins, and red meats. Increased U. S. exports of dairy products will be mostly in the form of donations, as traditional exporting countries are offering supplies at very low prices. Abundant U. S. supplies of canned fruit cocktail, canned peaches, orange juice, and pea beans should contribute to a rise in overall U. S. exports of fruits, vegetables and preparations in 1962-63.

Free world exports of tobacco were 1,676 million pounds in 1961 compared with 1,521 million pounds in 1960, and 1,434 million pounds in 1955-59. Due to a large output by surplus producing countries in years 1961 and 1962 together with rising consumer demand in most parts of the world, trade in 1963 should be at a record level. The U. S. is not expected to enlarge its exports in 1963, because of the large inventories of U. S. leaf in the EEC and declining consumption in the United Kingdom, the most important market for U. S. tobacco.

Price trends

Stabilizing forces were at work in 1962 which were reflected particularly in export prices of manufactured products, primary foodstuffs, and minerals. There was a strengthening of the foreign demand for primary foodstuffs, which gave higher prices to the United States for grains, but there were lower prices for oilseeds and tobacco and slightly lower prices over the year for cotton. The deterioration in terms of trade of less developed countries which began in 1955 continued into 1962. (See figure 3.) The improvements were primarily in the agricultural commodities exported by more developed countries.

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For manufactured products as a whole, the unit value of exports from the second quarter of 1961 through the second quarter of 1962 remained stabilized at 8 percent above average prices of 1952-54, and 3 percent above the prices of 1958. Export prices of primary foodstuffs as a whole rose about 1 percent from the second quarter of 1961 though the second quarter of 1962 with small fluctuations from quarter to quarter. (See figure 4.)

A rather significant decline occurred in the export prices of nonfood agricultural products. The impact was felt by a wide range of producers in the less developed countries. Average prices of nonfood agricultural products in the second quarter of 1962 were 3 percent lower than they were for the year 1961 and 6 percent below the level of the second quarter, 1961.

Prices that were generally lower throughout the latter part of 1961 and the first 8 months of 1962 than they were a year earlier included: jute, rubber, tobacco, pepper, some Western Hemisphere coffees, and cocoa. Prices which declined during the first 9 months of 1962 included: linseed oil, palm oil, cotton, and tallow. Among the agricultural nonfood products which showed firmness during the latter part of 1961 and the first 8 months of 1962 were: feedgrains, oilseed cake and meal, finer wools, and hides.

Export prices of grain, which strengthened generally in 1961, continued strong during 1962, and some showed important gains. Wheat, rye, barley, oat, and rice prices all were substantially higher during the latter part of 1961 and through part of 1962 than they had been a year earlier. Wheat prices were well maintained throughout most of 1962. The new International Wheat Agreement included provisions for raising maximum and minimum prices, which had a strengthening effect especially on the prices of higher quality wheat which had been selling at or near the old maximum.

Rice prices were particularly strong until the 1962 harvests began to come on the market, after which sales of limited amounts were made by some countries at reduced prices. Oats and barley, which were relatively high-priced as a result of short supplies on the world market, declined in price with the harvesting of the 1962 Northern Hemisphere crop. Corn prices in 1962 despite some fluctuation, were about the same as they were in 1961.

In contrast with grains, the prices of edible oils and oilseeds were substantially weaker during 1962 than in 1961. However, the strong demand for high-protein animal feedstuffs in the United States, Canada, and Western Europe boosted prices of such products as soybean and peanut meal to the highest levels since 1955.

Sugar prices were generally weaker in 1962 than in 1961, but they strengthened somewhat in the latter part of 1962. Meat prices tended to be stronger, while dairy and poultry product prices tended to be lower during 1962 than in 1961. Prices for bananas, apples, and dates were higher and for lemons, grapefruit, and raisins, lower.

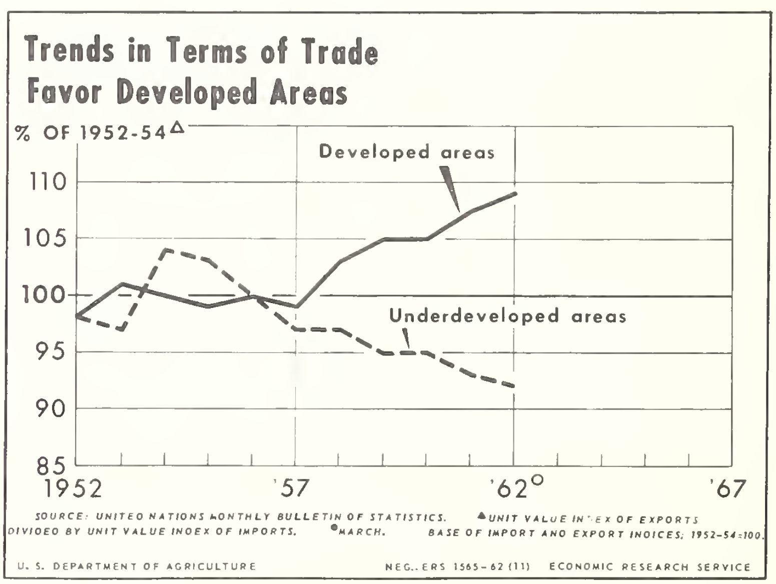

Figure 3

Aid and economic development

Important developments affecting agricultural production and trade occurred in the field of international aid during the past year. The flow of world economic aid continued to rise in 1962, and further expansion is expected in 1963. Progress was made by the Organization for Economic Cooperation and Development in providing a forum for discussions leading to the coordination of economic aid policies and programs of the industrial countries. This made it possible for member countries to work out a common approach to improved distribution of the burden of foreign assistance, a more systematic assessment of need for aid, and a better evaluation of the capacity of less developed countries to absorb and respond to such assistance. Machinery was strengthened to implement the Alliance for Progress program -- the program initiated in 1961 to encourage economic development in the countries of Latin America. Four countries have submitted to the Committee of Nine overall development plans that will provide a basis for allocation of Alliance for Progress aid funds for specific projects. Several other plans are nearing completion.

The total flow of economic resources from the industrial countries and international agencies, such as the International Bank and related agencies, to the less developed countries increased to approximately $8.9 billion in 1961 from $7.8 billion in 1960, an increase of 13 percent compared with a 4 percent rise in 1960. This included total net public grants and credits, and net private capital flows. Advances to international agencies rose in both absolute and relative terms in 1961, with more than half going to the International Bank for Reconstruction and Development and related agencies.

The greatest increases are occurring from public sources; however, private investments also increased in 1961 but at a declining rate. A further increase in total world aid occurred in 1962, but the increase is well below the expansion that occurred in 1961.

United States is the principal supplier of economic assistance to the developing countries, accounting for 49 percent of the total flow from public and private sources in 1960 and 52 percent in 1961. Public sources supplied about 73 percent of the U. S. total in 1961; private investment in the developing countries represented about one-fourth of the total U. S. flow.

Next to the United States, the principal donors were France and the United Kingdom, which accounted for 14 percent and 10 percent respectively of the total flow in 1961. Substantial increases in public aid came from Germany and Japan in 1961 and further increases are expected in fiscal year 1962-63. Flow of development assistance, public and private, from Germany and Japan totaled $1,160 million in 1961, compared with $800 million in 1960. Disbursements by the EEC Development Fund in 1962 are expected to continue their rising trend in 1963. The Sino-Soviet Bloc increased its aid slightly

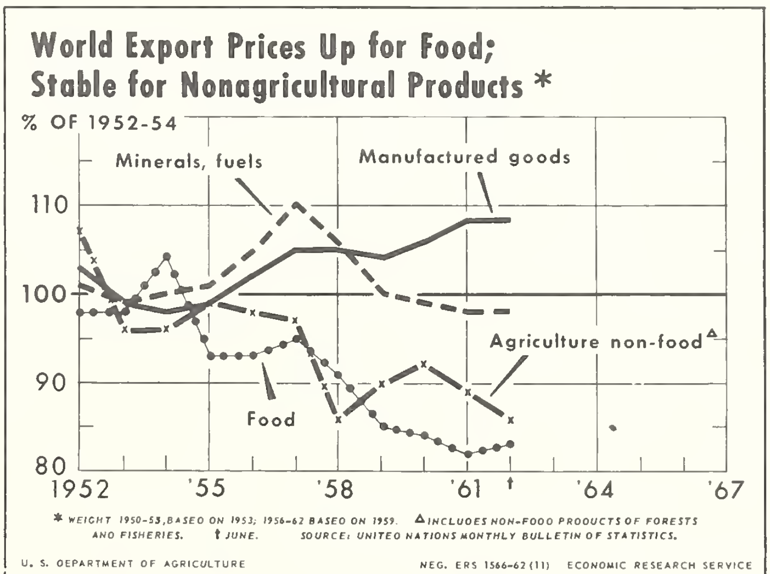

Figure 4

to the less developed countries in 1961 compared with the 2 previous years, but actual deliveries continued to fall far below commitments.

United States aid: Although net foreign assistance supplied by the United States has been decreasing, economic assistance has been increasing relative to U. S. military aid. Also, the relative importance of agricultural commodity assistance under the P.L. 480 program increased over the past 3 years. Net foreign assistance supplied by the U. S. was $5.3 billion in 1959, $4.6 billion in 1960, and $4.2 billion in 1961. Nearly two-thirds in 1961 was for nonmilitary purposes. Agricultural commodity assistance, provided largely under P.L. 480, represented 46 percent of total U.S. economic aid in 1960 and 49 percent in 1961. It also accounted for 32 percent of total U.S. agricultural exports over the period 1960-62.

A significant U.S. policy change is reflected in the increased emphasis given to the development of Latin America. Economic aid to this region, largest to Brazil, Chile, and Colombia, rose from $185 million in 1960, or 7 percent of total economic aid, to $699 million in 1961, or 26 percent of the total. Asia and Africa also have been beneficiaries of larger amounts of U.S. economic aid since 1956. Aid to South Asia declined in 1961 due to a drop in P. L. 480 commodity assistance taken by India and Pakistan, while aid to the Middle East and Africa rose. Though U. S. assistance to Western Europe and the Far East was much reduced over the past 6 years, the Far East still is the principal recipient of U. S. economic aid.

The effects of world economic development on future trade in agricultural commodities is an important question to U. S. agricultural producers. Looking back over the past 8 years of the P. L. 480 program, a period of considerable economic development and growth, U.S. commercial agricultural exports have increased by nearly $700 million--from about $2.7 billion in 1952-54 to $3.4 billion in 1960-62. This expansion in commercial trade occurred even though agricultural exports under P. L. 480 and related concessional programs rose to $1.5 billion in 1960-62 from about a half billion in the 1952-54 period. The record over the past decade is contrary to the assumption frequently made that economic development of other countries will result in the loss of U. S. agricultural export markets. There are two reasons for this: First, development of the industrial sector has proceeded at a faster rate than agriculture, and second, the capacity of the population in the low-income countries to absorb increased quantities of food and fiber is quite elastic as incomes rise.

Longer-range prospects

Changing patterns of production, consumption, and trade in farm products may be discerned since 1950-54. The probable world agricultural supply-demand situation for 1966, as projected in studies by the Department suggests further changes. 1/ Most evident in the trends since 1950-54 has been the impact of sustained economic development and foreign aid upon agricultural surpluses. Among peoples whose low incomes are rising, in such countries as India and Nigeria, demand for staple farm products is growing, and import needs are increasing. This is contributing to bringing world production and consumption into better balance.

The rise in apparent world utilization of wheat and rice has been phenomenal, and there is reason to believe that further increases will occur. World exports of wheat rose from 1,001 million bushels in crop years 1950-51 to 1954-55 to 1,702 million bushels in crop year 1961-62 or about 70 percent. 2/ Excluding communist Asia and U.S.S.R., rice exports rose from an

1/ The World Food Budget, 1962 and 1966, Foreign Agricultural Economic Report, No. 4, Economic Research Service, United States Department of Agriculture, 1961.

2/ Data for trade within the Soviet bloc for 1950-54 are incomplete.

average of 3.8 million metric tons of milled rice in calendar years 1951-55 to 5.5 million metric tons in 1961, an increase of 45 percent. These increases in trade were much greater than the percentage increases in production.

The result of these trends in food grain production and trade has been to reduce surpluses in exporting countries, and to provide populous less developed countries with better diets than they formerly had. By 1966 the nutritional gap between consumption and requirements to meet acceptable nutritional standards likely will continue to be narrowed and surpluses further reduced. On the basis of projections to 1966 of population, consumption, production, and trade the surplus of production over consumption would be erased, and stocks would be reduced by about 15 million metric tons below 1961. But, this would still leave a substantial carryover and possibly some surplus.

In 1958 world production of rice exceeded consumption by 3.8 million metric tons. By 1962 this surplus already had been erased largely as a result of poor crops in communist China and sustained high consumption levels among the rice consuming nations of South and East Asia. Projections to 1966 indicate that the upward trend in production may be too slow to keep up with the projected trend in consumption.

In the case of vegetable oils, production and consumption by 1966 could still be in rather close balance at about 21 million metric tons annually compared with about 17 million metric tons produced and consumed in 1958. However, if nutritional requirements were to be met 24 million metric tons of vegetable oils would be needed.

Production and consumption of nonfat dry milk could be in better balance by 1966 than in most of the postwar period. Nutritional programs, including school lunches in both the industrially advanced and less developed countries, have greatly increased the consumption of this product. Through reduction of prices by major exporting countries, and donation programs, better utilization of dairy surpluses has been attained. If, however, nutritional requirements were to be met, a substantially greater quantity would be needed.

The rising demand for meat in many parts of the world should help bring coarse grain production and consumption into balance. Largely as a result of increased livestock production to meet rising consumer demands, coarse grain consumption could be about 495 million metric tons in 1966, or about 14 million tons greater than the projected production of 481 million tons for the same year. However, feed grain production can be expanded.

Continuation of the long-run increase in consumption of raw cotton could bring 1966 consumption to 55 million bales, or about in line with the production projections.

Despite less tobacco required for production of the popular filter-type cigarettes, and alleged effects of tobacco smoking on health, tobacco consumption continued to increase in most parts of the world. Production also has been rising steadily, probably reaching nearly 9.1 billion pounds in crop-year 1962-63, compared with the average 7.8 billion pounds in 1950-54. By 1966 production is projected at 10.6 billion pounds, about 1 billion pounds greater than projected consumption.

SITUATION
By Commodities

Grains

World grain production in 1962-63 is estimated slightly larger than in 1961-62. The increase is mainly in wheat and barley, offset in part by reductions in corn and oats. World wheat production for 1962-63 has been exceeded only once, while the barley crop is at a new high.

Wheat: Production is forecast at 8.5 billion bushels, second only to the 8.7 billion produced in 1958-59. The current estimate for 1962-63 is about 625 million bushels above the 1961-62 crop. An increase of about 310 million bushels in Western Europe's total is the principal factor, though sizeable increases also are reported for North America, Asia, Africa, and are forecast for Australia. Eastern Europe is the only area suffering a loss from the 1961-62 level.

The 1.57 billion bushels now estimated for Western Europe is a new record and probably will reduce import needs substantially, as well as increase the possibilities of exports from the area. Production in Eastern Europe (excluding U. S. S. R.) in contrast, is estimated to be about 10 percent below the large 1961 total, and increased imports will be needed.

Wheat production in North America is well above the small 1961 crop and also above average because of the large Canadian harvest. Production of 551 million bushels in Canada is almost double the poor 1961 outturn. The U. S. crop of 1,095 million bushels is well below the harvests of the past 4 years, but approximates the 1955-59 average. The two countries' combined supplies during the marketing year 1962-63 are still large but are 190 million bushels less than for 1961-62 because of the reduced carryover stocks in both countries and the small crop in the United States.

Wheat production in the Soviet Union may be only slightly larger than in 1961 despite a substantial acreage increase, mainly in the spring wheat area. Drought in a number of important regions is believed to have reduced yields.

Asia's estimated wheat production is up substantially principally because of much better crops in Near Eastern countries and record or near-record crops in India and Pakistan. African wheat production is back to normal after the small 1961 outturn. The increase to 215 million bushels, compared with a total of 155 million in 1961, reflects better weather in most countries of the area.

The outlook is for a good outturn in the Southern Hemisphere where harvesting began in early November. South America's prospects improved over early-season expectations because of better conditions in Argentina, the principal producer of the area. A record crop is expected in Australia. Acreage is the largest of recent years and good yields are reported.

Imports of wheat by deficit producing countries are likely to be less than in 1961-62 when world trade was estimated at 1,702 million bushels, 150 million more than in 1960-61. With a record crop estimated in Western Europe, it appears that needs in that area will be largely confined to the quantity of strong wheat required for milling with the weaker indigenous wheat.

A record crop harvested in India in 1962 could result in a reduction in import requirements aside from defense stockpiling. Good outturns also occurred in other parts of Asia in contrast with poor harvests in 1961. Africa's recovery from the low 1961 level will mean some reduction in foreign requirements.

Rye: World production was only slightly larger than the below-average harvests of the past 2 years. The 1962 production, estimated at 1,350 million bushels, contrasts with the 1955-59 average of 1,440 million. Substantial increases over the 1961 total in North America and Western Europe were largely offset by a decline in Eastern Europe.

Production in North America was the largest since 1948 mainly because of the bumper crop in the United States. Canada's outturn, though almost double the poor 1961 crop, was below the average of the past 10 years.

Rough Rice: The forecast for world production in 1962-63, of 153.2 million metric tons, excluding communist Asia and U.S.S.R. is 2.8 million tons more than in 1961-62, and 22 million above the average of the 5 years ended 1959-60. The acreage planted to rice increased 2 million acres over the previous record acreage in 1961-62. The gain in acreage and production is on all continents.

Estimated production in exporting countries is expected to rise 5 percent over 1961-62 and show moderate increases for most of the countries. The largest gain is in Egypt where an unusually good crop compares with a below-average one in 1961-62. This is also true to a lesser extent in Vietnam and Cambodia. The United States has a 10 percent increase in acreage and record yields per acre.

A strong demand for exportable rice supplies in the first several months of 1962 was a probable factor in increased plantings. World rice trade was curtailed by a shortage in free world availabilities--especially in Thailand, Vietnam, and Cambodia--plus a sharp drop in rice exports from communist China.

World rice prices rose sharply in the first part of 1962 but began to level off after May, probably because importers had built up sufficient stocks to supply them until rice from the 1962-63 crops became available.

Demand is expected to continue strong in 1963. The Asian importers--Indonesia, Malaya and Singapore, Ceylon, Hong Kong, and India--likely will need the usual heavy volume. Indonesia particularly will be in short supply for several months. In the Philippines and East Pakistan floods reduced crops and larger rice imports are expected. Rice supplies must come from the 1962-63 crop of exporting countries, since carryover stocks on January 1, 1963, were at a low level.

Feed Grains: World production in 1962-63, on a combined tonnage basis, may be only slightly larger than a year earlier with a 9 percent increase in the barley crop more than offsetting smaller harvests of corn and oats. The increase in barley is general throughout the Northern Hemisphere with little change expected in Southern Hemisphere countries. Most of the decrease in oats appears to be in the Soviet Union where acreage was cut drastically. The reduction in corn is mainly in North America and Europe.

North America's tonnage of barley, oats, and corn is very slightly larger than in 1961 since the sizeable increase in oats and barley production more than offset the decline in corn. Increases were greatest in Canada. In addition to the feed grains listed above, grain sorghums are important in the United States, where a crop of 490 million bushels has been harvested, slightly larger than in 1961. However, supplies for the current season are moderately below the 1961-62 supplies, since carryover stocks were down 6 percent on October 1.

Total production of the three major feed grains in Western Europe showed little net change, as small outturns of corn and oats were offset by the large barley crop. Production of rye, now largely used for feed, was also up in Western Europe.

Increased barley production in the Soviet Union, though substantial, does not offset a sharp cut in oats and a possible slight reduction in corn. A reduction of between 5 and 10 percent in all feed grains seems probable. Total feed grain production is down moderately in the rest of Eastern Europe, with smaller outturns estimated for each of the three grains.

A small increase in these grains is indicated for Asia. Larger outturns of barley and corn account for most of the change. In Africa a substantial increase in barley and some expansion in corn production possibly will make the total of these grains 10 percent higher in 1962-63 than in 1961-62. Import demand for feed grains during 1962-63 is expected to be moderately below 1961-62. However, in some areas with a growing preference for corn as a feed, demand may continue strong.

Vegetable Oils

The world's output of vegetable oils in calendar year 1963 will be approximately 18.1 million metric tons--a new record. This is slightly above the record production of 1962 and about 2 percent above 1961 production, and more than one-third greater than the 1950-54 average. A probable small increase in the 1963 output of palm oils and a small gain in production of industrial oils are expected to more than offset a minor decline from 1962 in production of edible oils. The predominant share of the vegetable oils to be produced in 1963 will be from oil-bearing crops harvested in 1962. The major exception is the palm oils, produced somewhat continuously from source materials as harvested. Demand for fats and oils is expected to continue strong in 1963 with exporting countries finding markets for their surpluses.

Production: Edible oils, which account for over 70 percent of the total world supply of vegetable oils and for most of the increase in output from the 1950-54 average, may be down slightly in 1963 because of reduced olive oil output in most Mediterranean countries. The sizeable drop in olive oil production, along with a minor decrease in rapeseed oil, will likely more than offset increases in the production of soybean, peanut, cottonseed, sunflower seed, and sesame oils. The increase of greatest significance will be a gain of nearly 3 percent in soybean oil production, reflecting primarily record U. S. soybean supplies. Soybeans are the most important source of vegetable oil--accounting for nearly one-third of the world's edible oil and one-fifth of the vegetable oil total.

The production of palm oils is expected to recover in calendar year 1963 a portion of the reduction that occurred in 1962. Rainfall more favorable in 1962 than in 1961 should permit copra production to increase in the Philippines, Indonesia, and Malaya. The anticipated gain from 1962 in the outturn of coconut oil, however, probably will be insufficient to return production to the 1961 level. World output of palm, palm kernel, and babassu oils is expected to show little change in 1963 from the previous year's level.

An increase in the production of industrial oils of about 1 percent is foreseen because of an expected larger outturn of linseed oil. An upswing from the recent low to which linseed oil production fell in 1962 will result from larger flaxseed crops in the U. S., Canada, and Argentina. Little variation from 1962 is foreseen for castor, oiticica, and perilla oils but tung oil production will be substantially lower. Although tung oil production in Argentina and Paraguay is expected to be at relatively high levels, the U. S. output will be only a fraction of normal because

of severe frost damage to the tung crop in the spring of 1962. No major increase in mainland China's tung production is indicated.

Demand: Expansion of world demand for vegetable oils and oil products generally is expected to continue through 1963. Population growth, as usual, will account for a portion of the rise. Sustained economic expansion in industrialized countries and gains in purchasing power elsewhere will support the upward trend. Also, generally lower prices of many vegetable oils should encourage increased consumption.

While world demand for oilseed cake and meal is expected to continue upward, the increase will be somewhat less than in 1962. Last year, demand increased considerably because of the long winter in Europe and the short feed crops produced there in 1961. In 1963 consumption of poultry and swine feed is expected to increase markedly in Western Europe, but more locally grown feed grains probably will be available to help satisfy this requirement.

Exports: World exports of vegetable oils are expected to continue their average annual growth of about 5 percent through 1963. A record 6 million metric tons may be exported--a 5 percent gain from 1962, nearly 12 percent from 1961, and 50 percent more than the 1950-54 average. Soybeans, oil or oil equivalent, the largest export item, will account for one-half of the world's edible oil exports and more than one-fourth of total vegetable oil exports. In fact, most of the increase in world exports in 1963 will result from larger U. S. shipments of soybeans and soybean oil, which are expected to increase about 20 percent from 1962. U. S. exports under Government programs are expected to make a substantially greater contribution in supplying soybean oil to satisfy the demand for edible oils in developing areas of the world. Also, dollar sales of U. S. soybeans to Common Market and other European countries are expected to increase as crushers there import more raw materials for processing in order to meet local oil and meal demand.

Exports of cottonseed oil may be up nearly 8 percent in 1963, contributing to the gain in world edible oil exports. This increase will come primarily from U. S. and African sources. World trade in other edible oils probably will remain close to 1962 levels, except that olive oil exports will be substantially lower. A probable slight increase in copra and coconut oil exports likely will account for a gain of about 3 percent in world trade of palm oils in calendar 1963. Exports from the Philippines, Indonesia, and Malaya are expected to increase, but shipments from Ceylon may be down. World exports of industrial oils may be up about 5 percent inasmuch as increased shipments of linseed oil will more than offset any reduction in tung oil trade.

World exports of oilcake and meal are expected to remain close to the high 1962 volume. Expansion of the import needs of Western Europe probably will be limited by a greater abundance of grains and increased domestic meal production from larger imports of soybeans. U. S. meal exports, which account for about one-fifth of the world total, may be 10 percent lower in 1963 as a consequence of the increase anticipated for soybean exports. U. S. cake and meal exports consist almost entirely of soybean meal.

Fruits, Nuts, and Vegetables

Citrus fruit: Production in 1962-63 continues at record levels in most important producing countries. Extensive new plantings in both Northern and Southern Hemisphere countries indicate a continued upward trend in production. Markets will be under continuing heavy pressure to absorb larger quantities of both fresh and processed citrus.

Deciduous fruit: Production was up in 1962 over 1961's relatively small crops with increases in all European countries. Total Northern Hemisphere apple and pear production was only slightly

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larger than the previous year but significantly above the average of recent years. Small declines in the production of apples and pears in North America were more than offset by European increases.

Importing countries of Europe had apple and pear crops about equal to the average of recent years and supplies in exporting countries are just slightly above average. Quantities of U. S. apples and pears available for 1962-63 export should be about the same as 1961-62. Demand from Europe for imports likely will not be as strong as 1961-62 but will be good generally and the outlook for world trade in apples and pears for 1962-63 indicates a total volume only slightly below the previous year.

Raisins and Prunes: World production in 1962-63 is large and competitively priced. The volume of world exports of prunes is expected to be above 1961-62, and raisins about the same. U. S. 1962 raisin supplies are limited and prices high; in consequence U. S. exports likely will be drastically smaller--probably less than half as much as the 65,400 tons exported in 1961-62. The U. S. 1962 prune pack was above 1961, but again somewhat below average; however, U. S. prices are several cents below last year, which should enable exports to approximate the 44,000 tons shipped out last season despite large foreign production and improving quality.

Canned deciduous fruit: World production in 1962 was the heaviest on record. The total U. S. pack may not differ greatly from last year's high level and the total Southern Hemisphere pack was above that year. International trade in canned deciduous fruit in 1962-63 probably will increase again, making this the fourth consecutive season for record exports.

Almonds: World production in 1962 was the smallest since 1958; however, large carryin stocks have provided near-average supplies, and prices are very strong in view of heavy world demand. World almond exports will be considerably below record 1961-62. Filberts: World production, in contrast to almonds, was the largest since 1956, but the carryin is small and total supplies below average. Exports may approximate last season's volume. Demand and prices are exceptionally strong. U. S. 1962 production was below recent years. Walnuts: World production was larger than 1961 and the average, and world exports are expected to be above that of recent years.

Potatoes: The 1962 production in the major producing countries was slightly smaller than in 1961. The North American potato crop, although somewhat less than the record crop of 1961, was still about 25 percent larger than the 1951-55 average. The Western European crop was not only slightly smaller than the 1961 short crop, but was also about 10 percent below the 1951-55 average. The 1962 potato production was also lower in South America and Eastern Europe.

Beans: Production was down sharply in Western Europe, the world's largest bean importing market. The drop in production was due to smaller acreage and adverse weather.

Supplies also are short in the Eastern European countries from which beans usually are exported to Western Europe. Food shortage behind the Iron Curtain and the demand for beans in Cuba will leave few Balkan beans available for export to Western Europe this year.

Western Europe has purchased more U. S. beans in the fall of 1962 than usual in the early part of the season. That movement, coupled with frost damage in the U. S. Great Northern and pinto bean areas, has caused sharp price rises for Great Northern beans. Prices also are up for pintos. Bean prices are up in most, if not all, of Europe. U. S. pea beans, of which the U. S. has a surplus, are moving well to Europe.

Preliminary information from Latin America indicates that there are good bean crops in Venezuela, Central America, and Mexico. Although the large Mexican crop was not as high as the 1961-62 all-time record crop, it, together with large carryover stocks, reportedly is ad-

equate to meet Mexican 1962-63 needs. In past years, Mexico has imported large quantities of U. S. pinto beans.

Chile normally is a sizeable exporter of beans to Western Europe and Cuba. The Chilean harvest of last spring has been sold out.

Livestock, Dairy, and Poultry

World livestock numbers and the production of meat, meat products, and dairy and poultry products have been trending upward almost continuously since the end of World War II. In 1962 this trend continued with cattle numbers at 1,035 million head, up 20 million over the previous year. Hog numbers reached a record high at 483 million head, 4 percent higher than the year before. World sheep numbers totaled 990 million, just 1 million below the peak reached in 1960.

Livestock: In 41 of the major producing countries, excluding communist China, which accounted for about 85 percent of the world's supply, meat production reached a new record in 1962 of about 105 billion pounds as a result of the increased livestock numbers. Per capita consumption is expected to continue to rise, not only in the major meat producing countries, but in Western Europe and many of the less developed areas as well. At least 15 countries consumed more than 100 pounds of meat per capita in 1962, 9 of them in Western Europe.

World meat trade rose to 6.6 billion pounds in 1961 and continued large in 1962. Further expansion is expected in 1963. Four countries--New Zealand, Denmark, Argentina, and Australia--together exported 57 percent of all meat entering world trade in 1961. The United Kingdom was the largest buyer of meat, taking half of all meat exported. The United States was the second largest importer, taking 1.3 billion pounds in 1961, nearly three times the average imports in the 1951-55 period, and imports were even larger in 1962.

World lard output rose to about 8.4 billion pounds in 1962, up slightly from 1961. The United States continued to be the world's leading producer and exporter. However, the U. S. share of the world market dropped to 57 percent in 1961, down considerably from nearly 70 percent in recent years. U. S. output was up slightly in 1962 from the reduced 1961 level. Gains also were recorded in Western Europe, Eastern Europe, and the U. S. S. R. World production probably will increase again in 1963 because of higher output in the United States, U. S. S. R., and Europe.

World trade in lard increased in 1962 above the level of 1961, largely as a result of larger purchases by the United Kingdom, more than offsetting the withdrawal of Cuba from the free world market.

World tallow and grease production totaled 7.6 billion pounds in 1962, up from 7.5 billion pounds produced in 1961. Record high output in the United States accounted for most of the increase. U. S. S. R. production, second only to the United States, continued to expand in 1962.

World trade in tallow continued to expand during 1961, but incomplete figures indicate there was a reduction in 1962 because of reduced exports from the United States. There was a sharp drop in Japanese buying in 1962, partly because of increased competition from synthetic detergents, and partly because of austerity measures imposed by the Japanese Government. The Soviet Union also has bought less tallow in 1962 than in the previous year.

The United States continued to be the world's major producer and exporter of tallow and greases, accounting for more than half the world's output and three-fourths of the world's trade.

Dairy: Increased milk cow numbers, coupled with generally favorable weather in most major dairy producing countries, brought about another increase in world milk production in 1962. World production of cows' milk is estimated at 687 billion pounds, an increase of 1 percent over 1961. Moderate increases among major producing countries of North America, Aus-

tralia, and several countries in Europe more than offset minor declines in output in Denmark, France, Italy, and East Germany.

World production of the principal manufactured dairy products also increased in 1962. Butter production is estimated at 5.55 million short tons, up approximately 3 percent from 1961. Cheese production is expected to increase moderately while output of canned milk may be down slightly. Production of nonfat dry milk continued to expand but output of dry whole milk was down.

World exports of dairy products in 1962 were up slightly despite quota limitations imposed by the United Kingdom on butter trade. Reduced shipments, mostly butter, to the United Kingdom, the principal market, were more than offset by larger exports to West Germany and Italy, the second and third largest markets. The volume of trade in cheese was larger due to substantially increased shipments from Australia and New Zealand. The United Kingdom and West Germany, the principal markets, took most of the increased shipments.

Exports of nonfat dry milk were again higher, in response to greater use and acceptance of this product in welfare and school lunch programs, as world supplies increased. Trade in condensed and evaporated milk was unchanged from the 1961 level, while exports of dry whole milk continued to decline.

Indications point to further increase in milk production in 1963. Despite the existence of large stocks of butter and nonfat dry milk in some countries, support prices probably will continue to provide adequate incentive for a high level of milk production. Because of increasingly restrictive trade practices in deficit areas, export outlets for some products, particularly butter, are extremely limited.

Poultry: World egg and poultry meat production in 1962 continued the upward trend of recent years. Increases in egg production were scattered throughout the world. Poultry meat production continued to receive major attention in the highly industrialized countries, especially in Western Europe. In North America, total production of poultry meat was down slightly from the record level of 1961. This was the first decline in this area since 1955. Broiler production was about the same as in 1961 but the 1962 turkey crop was down about 15 percent in the United States and 8 percent in Canada.

World trade in poultry meat during the first half of 1962 was at a new record high, as demand in West Germany remained strong and exports from major suppliers moved in unprecedented volume. After mid-year, shipments to West Germany from outside the Common Market area declined sharply because of the implementation of the Common Market's poultry regulations which made import levies effective on August 1, 1962. The levies imposed were three times as great as the 4 to 4-1/2 cents per pound charge made against U. S. poultry products prior to the new regulations.

The decline after mid-year in volume of exports reflected a stock build-up within the EEC. This occurred prior to imposition of the import levies, which originally were scheduled to come into force in mid-year. While the full impact of the EEC poultry regulations on total volume of trade cannot yet be fully determined, exports from non-EEC suppliers were off sharply during the first 2 months after the Common Market regulations became operative. The total volume of poultry moving in the second half of 1962 was not expected to match that of the first half and indications for the year as a whole point to only a moderate gain over 1961 in total volume of world trade in frozen poultry.

World production of poultry meat is expected to increase somewhat in 1963 as demand for meat products generally continues strong. The rate of increase probably will not be as sharp as during the past 5 years.

World trade in poultry products likely will continue at a high level in 1963 but the sharp upward trend in evidence during recent years appears to have been interrupted in mid-1962. Because of the importance of the EEC countries as a market for poultry, the level of trade during the first few months of 1963 will be greatly influenced by Common Market decisions pertaining to international prices and policies governing imports from outside the Common Market.

Sugar and Beverages

The 1962-63 world production of centrifugal sugar is estimated at 56.2 million short tons, compared with 56.0 million the preceding season and 60.1 million in 1960-61. Most of the decline since 1960-61 has been in Cuba and Europe. Production in Cuba declined from 7.5 million short tons raw value in 1960-61 to 5.2 million in 1961-62, and about 4.6 million is currently forecast for 1962-63. Production in North America, other than Cuba, as well as in South America, is expected to show a modest increase in 1962-63 over the previous year.

The 1962-63 European production is estimated at 5 percent less than a year earlier. Production declined about 3 percent in Western Europe and 9 percent in Eastern Europe excluding the U.S.S.R. The Soviet Union estimated a decrease in production of sugar beets for sugar processing in 1962, which indicates a slight reduction of sugar output in 1962-63 from the domestic crop. A 5 percent larger crop is estimated for Africa for 1962-63, with South Africa alone reporting an increase of 126,000 short tons. In Asia, an overall increase of about 5 percent is estimated.

World consumption of centrifugal sugar has been increasing about 4 percent per year. Many countries are subsidizing production to encourage self-sufficiency and there is a tendency to substitute centrifugal for non-centrifugal sugar. World sugar stocks were built up to rather high levels over the past several years but indications are that these stocks are being reduced during the 1962-63 season.

Since mid-1960, trade in the so-called "free market" has increased quite substantially. The primary reason for this was the diversion of Cuban sales from the United States to the Sino-Soviet bloc. This movement averaged over 3 million short tons per year from mid-1960 to mid-1962 but is likely to be reduced at least a million tons in 1962-63 as a result of reduced production and stocks in Cuba.

Coffee: World production for the marketing year beginning October 1962 is estimated at 65.9 million bags, 7.4 percent below the large crop of 1961-62. World exportable production for 1962-63, estimated at 53 million bags, is 6 million bags above estimated import requirements. Carry-over stocks at the end of September 1963 will approximate 80 million bags, the equivalent of about 1-3/4 year's world exports. Prices for Brazils and African Robustas held steady in 1962 but Colombians and some of the Central American coffees declined somewhat.

The continued accumulation of coffee surpluses created a serious international marketing problem. Coffee provides over half of the foreign exchange in eight producing countries. World coffee trade amounts to about \$2 billion annually; only cotton and wheat rank higher in value of trade. The bulk of the world's coffee is shipped from developing countries to the more industrialized countries, the United States importing slightly more than half of all coffee moving in world trade.

Since 1957, a series of annual producer agreements have been fairly successful in attaining orderly marketings and may have prevented a collapse in coffee prices. These agreements have been closely associated with the International Coffee Study Group, established in 1958. They have been intended as temporary arrangements pending the development of a long-term

producer-consumer agreement. A long-term agreement was negotiated at a United Nations Conference in July-August 1962. It is an export quota type of arrangement but importing members agreed to maintain certain regulations on imports.

Cocoa: The 1962-63 world crop is estimated at a record 2.8 billion pounds, 7 percent above the preceding record in 1960-61. As a result of several successive large crops, world supplies have increased and prices have declined. Thus far, the larger crops have been marketed in an orderly manner but increases in consumption are not keeping up with production, and inventories are building up in consuming countries.

A Cocoa Producers Alliance, comprised of several major producing countries, was formed in early 1962 because of the problems emanating from the build-up in supplies and declining prices. The objectives of this Alliance are to stabilize prices, promote increased consumption, and exchange information. In the meantime, the FAO Cocoa Study Group continues to give serious attention to the development of an International Cocoa Agreement. A draft proposal for such an agreement has already been developed.

World exports of cocoa beans totaled a record 2.2 billion pounds in 1961 and 1962 exports were also at high levels. Africa supplied over two-thirds of world exports. The United States, the United Kingdom, and the EEC countries were the major cocoa importers.

Tea: World production was estimated at 2,255 million pounds in 1962, 2.5 percent over 1961. There has been an upward trend in production in all major producing areas during recent years. Asia is the world's largest producer but the most significant increase has occurred in Africa where there has been a substantial increase in acreage and new tea processing equipment has been installed.

India, the world's largest tea producer, had an estimated record crop of 795 million pounds in 1962. Ceylon, Japan, and Indonesia also reported production increases which raised the total Asian tea production to 2,119 million pounds in 1962, 2.3 percent over 1961.

African production, at 118 million pounds for 1962, was 4.5 percent above 1961. The Federation of Rhodesia and Nyasaland, Kenya, and Mozambique accounted for 75 percent of total African production. South American tea production continued to increase. Argentina produced 75 percent of the total.

World exports of tea in 1961 totaled about 1,242 million pounds, slightly higher than the 1958 record. India and Ceylon were among the leaders in the export rise, with Africa and South America continuing to expand exports. World consumption of tea continued to increase enabling producers to dispose of the increased production.

The United Kingdom imported 556 million pounds in 1961, more than one-half from India. The United States, the world's second largest tea importer, purchased 109 million pounds in 1961, with Ceylon the largest supplier.

Hops: World production appears to be starting another upward swing after the successive sharp declines in 1960-61 and 1961-62 from the record crop of 181 million pounds in 1959-60. The reductions were due mainly to the general price declines caused by overproduction in 1958-59 and 1959-60. Acreage in 1962 was increased in several important producing countries in response to generally rising prices, and production is expected to exceed the 1961-62 crop of 149 million pounds by about 20 million pounds. In the United States, hop production increased from 35 million pounds in 1961-62 to an estimated 44 million in 1962-63. However, the decline in U. S. stocks carried over from 1961-62 more than offset the increase in production. Stocks in other countries are also lower. Thus, supplies for the 1962-63 season do not appear to be excessive and price increases which started in 1961-62 have continued into the current season.

Tobacco

World production of tobacco set a record in 1962: 9.1 billion pounds compared with about 8.7 billion in 1961.

The world crop of flue-cured leaf in 1962, at 3.5 billion pounds, also was at an all time high. Gains in the United States, India, and Japan offset smaller crops in the Federation of Rhodesia and Nyasaland, Brazil, and Canada. The U. S. crop at 1.4 billion pounds, was over 100 million above the 1961 harvest. The Rhodesian crop was only slightly under the record 237 million pounds harvested in 1961, but adverse weather conditions, including hail and frost reduced Canadian production about 7 percent from the 195 million pounds grown in 1961. The Brazilian harvest was about 40 million pounds below 1961 due to unfavorable weather during the transplanting season.

World production of oriental leaf totaled about 1.1 billion pounds in 1962, 11 percent more than in the previous year, but a little lower than the average in 1955-59. Larger harvests in Greece, Yugoslavia, and Bulgaria more than offset a drop in Turkey.

Incidence of blue mold in Western Europe in 1962 was not as severe as in the previous year. In both Italy and Yugoslavia, where blue mold caused severe damage in 1961, crops showed sharp recovery, but the harvests were still below normal.

Gains in world tobacco consumption have been reflected in sharp increases in world trade during the past 2 years. Free World exports, at 1.68 billion pounds, set a record in 1961. This compared with 1.52 billion in 1960. Indications are that 1962 exports were close to the record 1961 figure. A part of the large world export trade in both 1961 and 1962 resulted from the short, blue-mold-damaged 1961 crops in several Western European countries. Also, there was some stock build-up in other areas.

The United States has not shared proportionately in the increased world tobacco export trade. The U. S. share of Free World exports in 1961 was only about 30 percent, compared with an average of nearly 35 percent in 1955-59, and 38 percent in 1950-54. Most of the gains in Free World exports were accounted for by the Federation of Rhodesia and Nyasaland, Turkey, India, Greece, Brazil, the Philippines, Japan, Italy, and Colombia.

Cigarette consumption around the world generally continued to increase, despite considerable public controversy in some areas regarding tobacco vs. health. World output of cigarettes established a new record in 1961: 2,334 billion pieces, and output is believed to have further increased to about 2,400 billion in 1962. Growing consumer preference for American-type blended cigarettes continued to boost output of this type.

Percentage gains in cigarette output from year to year exceeded percentage increases in actual volume of leaf used in cigarette factories. There were more filter-tips made, and these usually required less tobacco per cigarette than regular cigarettes. Also, more regular cigarettes were manufactured from a given quantity of tobacco than formerly.

Fibers

Cotton: Highlighting the world cotton situation in 1962-63 is another record production likely to result in the first increase in world stocks since 1955-56; that is, if world consumption remains about unchanged, as expected. World trade probably will increase, reacting from the sharply lower volume in 1961-62 associated with weakened prices and stock reductions in importing countries.

The record world crop of 49.2 million-bales 3/ in 1962-63, up 1.9 million bales or 4 percent from a year earlier, will raise the world cotton supply to 68.6 million bales, despite a reduction of 0.7 million-bales in beginning stocks. The 6-year decline in world stocks, reflected mostly in the declining U. S. carryover prior to 1961-62, will be reversed this season, with the world total due to approach 21.0 million bales by season's end. The U. S. carryover will increase for the second successive year, reaching about 9 million bales by August 1, 1963.

World acreage of 83.4 million acres in 1962-63 is not a record, but is higher for the fourth consecutive year, principally as a result of profitable returns from large crops last season in Central America, South America, and the Near East. A recovery is expected from last season's below- average yields in Egypt, Uganda, Nigeria, and India. Foreign Free World production is expected to reach a new high of 20.6 million bales, 1.5 million above 1961-62 and 4.0 million above the 1955-59 average. Production in communist countries is estimated at 14.0 million bales, up 0.2 million from last season, chiefly in mainland China, where conditions are believed nearer normal than last year. The U. S. 1962 crop of 14.6 million bales, including city crop, compared with 14.4 million in 1961-62.

The overall prospect for cotton consumption in 1962-63 continues relatively favorable with the world total expected to hold near the 48.0 million-bale level of the last 3 years. U. S. mill consumption is forecast at 8.6 million bales, 4 percent below the 9.0 million used last season. Textile imports have increased, new orders received by mills are down, and inventories of goods have risen. In West Germany and the United Kingdom, an unfavorable import-export ratio in textile trade and above normal inventories are curbing cotton disappearance. In Japan, consumption may ease from last year's 3.3 million bales unless the textile production restriction is relaxed. However, the consumption outlook continues to show improvement in India, Canada, Italy, and a number of other foreign importing countries. In addition, foreign Free World exporting countries and communist countries are expected to show further increases in consumption this season.

The expected increase in 1962-63 of about 1.0 million bales in world exports to around 16.4 million bales now appears likely to occur almost entirely in exports from countries other than the United States. The larger crops abroad this season likely will increase export availabilities by about 1.3 million bales above 1961-62, with principal increases in Egypt, Brazil, and several countries in Central America and the Near East. Net exports from Free World to communist countries are likely to increase to 1.7 million bales in 1962-63 from 1.5 million last season. U. S. exports, estimated at 5.0 million bales, about equal to 1961-62, will constitute approximately 30 percent of world trade compared with an average of 35 percent in the past 5 years.

Prices of most qualities of foreign upland cotton in world import markets have dropped 1 to 2 cents a pound in the past 12 months, following a 2-year rise from the long-time lows in mid-1959. U. S. cotton has faced intense price competition from other growths over the past year. Reports late in 1962 indicated improvement in U. S. cotton's competitive position as the bulk of exportable supplies from other Northern Hemisphere countries moves to market, and overseas procurement for manufacturing needs pick up.

Wool: World production in 1962 is expected to total about 5.7 billion pounds, about the same as the previous year. Slightly larger clips are expected in Australia and New Zealand, while lesser amounts are in prospect in South Africa and Argentina. Uruguayan output is expected to

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3/ 500 pound gross weight bales except U. S., which are running bales.

remain about the same. Activity in the major consuming countries points to another favorable year for wool with consumption about in line with production.

Jute: Estimated world production in 1962-63, dropped 10 percent to 5.0 billion pounds, compared with the record crop of 5.5 billion in 1961-62. Decreases in 1962-63 production were reported in Pakistan and India, which produced 96 percent of the world supply, and in Brazil and Taiwan. Burma and Thailand had larger crops.

World consumption in 1961-62 was 15 percent above 1960-61, when supplies were exceptionally small but plentiful supplies led to lower 1961-62 prices, and both major producing countries fixed minimum prices.

The 1961-62 exports from Pakistan, principal exporter of raw jute, rose 38 percent to 1.6 billion pounds. The principal countries of destination were the United Kingdom, Belgium, India, and France. Exports of jute manufactures from Pakistan increased but exports from India decreased.

Sisal: The 1962 world crop of 1,278 million pounds was 7 percent below the preceding year. Big drops in Brazil and Kenya accounted for most of the decrease. Prices averaged about 3 percent above the 1961 average.

Abaca: Exportable production at 222 million pounds was 27 million more than the exceptionally low total in 1961 and was ample to meet the demand. The Philippines, with 210 million pounds inspected, had a gain of 15 percent over 1961. The average price was 19 percent below 1961 and the lowest since 1956.

Henequen: Output in 1962 declined to 357 million pounds or 16 million under 1961, principally because of lowered Mexican production. Demand continued strong and prices rose to 9.1 cents per pound, the second highest average in the past 9 years.

SITUATION BY REGIONS

Western Hemisphere 4/

Countries of the Western Hemisphere in 1962-63 likely will continue to sell the United States large amounts of coffee, cocoa, bananas, sugar, and other foodstuffs and may compete even more strongly in third markets with U.S. wheat and cotton. At the same time larger quantities of agricultural products probably will be imported from the United States, especially wheat. The current fiscal year probably will see a further increase in commercial wheat sales to the northern countries of Latin America and program shipments to Brazil. Canada, both a market for and a competitor with U. S. agricultural commodities, had good crops in 1962 and will compete again strongly for foreign markets, particularly in wheat. (See table 3.)

Canada: Agricultural production for 1962 was up sharply from 1961 and only fractionally below the post-war peak of 1956. Production of wheat, feed grains, forage, pork, milk, and eggs was high and up from 1961. Oilseeds, tobacco, beef, poultry, potatoes, and fruit production were slightly below the previous year. Cash farm income for 1962-63 may exceed the 1961-62 record due to high production and good prices. Moisture conditions in Western Canada are generally favorable for the 1963 grain crop.

Both agricultural imports and exports increased in value in 1961, exports being the second highest on record, exceeded only by 1952. The United States remained the principal supplier of imports. Principal export destinations continued to be the United States and United Kingdom. Largest export gains were in grain and grain products which accounted for two-thirds of the 1961 total. Near-record agricultural trade continued into 1962 with 1963 prospects good. Shipments of wheat to communist China and Poland aided exports and the austerity program failed to reduce imports.

United States: Total farm output in 1962 was about the same as 1961. A substantial reduction in wheat output and some reduction in poultry products about offset more meat, dairy products, and cotton. In 1963, the output of farm products likely will rise a little over the level of the past 3 years due to prospective increases in livestock production. Net farm income in 1962 remained about the same as 1961. Little change is expected in 1963.

Record-high exports of agricultural products in 1961-62 represented around 15 percent of total farm output. Exports to Western Europe, Japan, and Canada were largest. Wheat and feed grains increased the most in the past year. In 1962-63, the value of exports probably will be about the same, with less wheat and feed grains, but more soybeans and food fats and oils. Value of agricultural imports including rubber in 1961-62 increased about 3 percent, mainly in livestock products. Coffee, sugar, and meat were the largest import items.

4/ For the countries included in the Western Hemisphere discussion, see table 3.

Table 3.--Western Hemisphere: Indices of agricultural production, total and per capita, by countries, 1959-60, 1960-61, 1961-62, and 1962-63 1/

(1952-53 - 1954-55 = 100)

Country	Total				Per capita			
	1959-60 2/	1960-61 2/	1961-62 3/	1962-63 4/	1959-60 2/	1960-61 2/	1961-62 3/	1962-63 4/
Canada	98	105	86	114	83	87	70	91
United States	111	114	115	115	100	101	100	99
Latin America								
Argentina	104	98	106		94	87	92	
Bolivia	119	127	138		109	115	123	
Brazil	143	141	150		118	113	116	
Chile	120	122	118		99	98	91	
Colombia	126	126	124		107	103	99	
Costa Rica	117	132	133		92	100	97	
Cuba	123	135	103		109	116	87	
Dominican Rep.	134	138	142		109	109	108	
Ecuador	163	175	175		135	140	136	
El Salvador	126	135	162		107	112	130	
Guatemala	131	138	149		110	112	118	
Haiti	109	101	114		102	93	104	
Honduras	128	126	143		108	103	113	
Mexico	145	150	157	5/156	123	124	126	5/122
Nicaragua	109	132	165		89	104	126	
Panama	124	117	120		104	96	95	
Paraguay	100	100	102		86	85	84	
Peru	113	111	117		98	95	98	
Uruguay	73	96	94		66	86	82	
Venezuela	129	145	143		105	114	108	
Jamaica 6/	112	116	115		103	105	103	
Trinidad and Tobago 6/	123	133	114		102	107	90	
Total Latin America	126	126	130	129	107	104	104	101

1/ Canada and United States production on calendar year, i.e. first year shown in each column. 2/ Revised. 3/ Preliminary for Latin America. 4/ Preliminary U. S. and Canada; forecast Latin America. 5/ In Latin America, detail available only for Mexico due to incomplete harvests. 6/ Not included in Latin America total.

Latin America: Total agricultural output in Latin America in 1961-62 increased above the previous year only enough to maintain per capita levels. During the current year, population growth is expected to forge well ahead of production. United States agricultural exports to Latin America, excluding Cuba, reached an all-time high value in 1961-62. Including wheat and other commodities moving under Government programs, exports are expected to be still larger in 1962-63. The value of U. S. agricultural imports from the area continues the downward trend of recent years, due principally to a drop in coffee prices.

Reduced gold and dollar holdings, widening trade deficits, and weakening currencies have developed in many countries of Latin America despite expanded Alliance for Progress aid. The growth in gross national product per capita is running at about 1 percent a year compared with an Alliance goal of 2.5 percent. With agricultural production not expected to keep up with population growth in 1962-63 and with a deterioration in ready resources to buy imported products, Latin America likely will be looking for additional outside assistance to maintain per capita consumption.

Mexican agricultural production, which continued its upward trend in 1961-62, may be down in 1962-63 because of the severe 1962 summer drought and reduced supplies of irrigation water. Livestock exports were unusually heavy with lower 1963 output expected. The corn harvest is down by an estimated 12 percent, necessitating imports if per capita consumption is to be maintained.

Central American agricultural output increased in 1961-62, with the greatest rise in the four northern countries. This resulted largely from sharply expanded output of cotton and sugar. Exports of these commodities rose also, although coffee remained the principal area export. Internal trade was stimulated by the free trade area, but imports of wheat from the United States and exports of coffee, sugar, and cotton to the United States, Japan, and Europe far outweighed trade within the area.

Despite a rise in output in Haiti and the Dominican Republic in 1961-62, the Caribbean as a whole showed a decline in production, largely attributed to the sharply reduced sugar, tobacco, and livestock production in Cuba. Overall production in Cuba in 1962-63 is not expected to increase much over the past year's low level. Output of sugar and bananas in the rest of the Caribbean is expected to increase slightly.

Total South American agricultural output increased in 1961-62 despite some impact of adverse weather conditions on food production in Brazil, Chile, Colombia, Uruguay, and Venezuela. Brazil's coffee output reached near record levels and Argentina's grain, oilseed, and vegetable production benefited from improvement in crop conditions. With increased production of cotton, sugar, and coffee, supplies available for export in 1962 were above the previous year. At the same time, low production of some basic foods in Brazil, Colombia, and Chile necessitated larger imports. Prospects are for some slight expansion in the production of food crops in 1962-63, but Brazil's coffee crop is reported down sharply and total per capita output for South America probably will be off from the previous year.

Western Europe 5/

Agricultural production in Western Europe in 1962-63 is expected to reach a new record level despite adverse weather conditions in some countries during the planting and growing season. The index of net agricultural production is forecast at 121 (1952-53 to 1954-55=100) compared with 117 for 1961-62. (See table 4.) The increase in the index of aggregate production is large enough to allow for the normal population gain and to permit a three-point increase in the per capita production index from 110 to 113. This index for 1962-63 is now one point above the level of the previous record production year 1960-61. Overall agricultural imports into Western Europe may show some decline from last year's high level.

5/ For the countries included in the Western Europe discussion, see table 4.

Table 4.--Western Europe: Indices of agricultural production, total and per capita, by countries, prewar and 1960-61 to 1962-63 1/

(1952-53 to 1954-55 = 100)

Country	Total				Per capita			
	Prewar	1960-61	1961-62 2/	1962-63 3/	Prewar	1960-61	1961-62 2/	1962-63 3/
Austria	94	129	129	137	97	127	127	135
Belgium	74	114	111	112	78	109	106	106
Denmark	77	113	118	117	91	108	112	110
Finland	81	116	119	117	105	109	110	107
France	83	123	116	124	88	117	110	117
West Germany	84	124	113	123	103	112	102	110
Greece	85	120	141	135	103	113	131	125
Ireland	91	109	107	108	90	113	111	112
Italy	80	116	124	119	90	112	119	113
Netherlands	73	130	129	130	91	119	116	116
Norway	81	111	106	109	95	104	99	101
Portugal	79	120	115	119	94	113	102	104
Spain	93	114	111	115	109	108	105	106
Sweden	80	91	94	91	92	87	90	87
Switzerland	87	119	122	124	102	107	108	108
United Kingdom	63	117	118	124	68	113	113	118
Total Western Europe	81	119	117	121	92	112	110	113

1/ Excludes food produced from imported feed. 2/ Preliminary. 3/ Forecast.

Strong increases in output occurred in 1962 in West Germany, and also in France, the United Kingdom, Austria, and Spain. A small change was registered by the Netherlands, Belgium, and Ireland, all on the plus side, and by Denmark on the minus side. Italy was down 5 points, Greece 6, and Sweden 3. Switzerland was up 2 points and Finland down 2 points.

Western Europe in 1962 had a bumper wheat crop and, despite some damage to corn, a larger tonnage of feed grains than in 1961. Wheat production may reach 42.5 million metric tons and feed grain production, including rye, 52.1 million tons compared with 34 million and 50.6 million tons, respectively, a year earlier.

A considerable quantity of wheat, perhaps a record quantity, will be fed to livestock in 1962-63. Import need will continue for strong wheats for blending with domestic wheat. Overall feed grain requirements probably will be somewhat larger than the previous year because of continued growth in the livestock sector and also because of some reduction in forage crops including roots. This increase probably will not be large enough to maintain feed grain imports at a year earlier levels because of larger domestic production and some early stock building in anticipation of the Common Market grain trade regulations which became effective on July 30, 1962. Production of potatoes and all fruit was off a little from 1961 and substantially down from 2 years ago. Deciduous fruit output was higher than 1961 and citrus was lower. Olive oil output was also down but rice production was up a small amount.

Production of beef and veal in 1962-63 is expected to increase about 5 percent but the gain in pork is probably only about 2 percent. Very small increases are estimated for both poultry meat and eggs. Milk production may total 2 percent lower than last year, interrupting the upward trend. Most of the reduction is expected to occur in France and Italy with small declines also estimated for Denmark, Sweden, and Norway.

Strong overall economic growth continued in Western Europe during 1962 although there were some important differences among individual countries. Some slackening in growth of output occurred in some countries as the labor supply and productive plant capacity were practically fully utilized. In several countries the high level of both output and demand caused wage and product price advances which created some concern. In some countries, Governmental actions to combat the tendency toward price and cost inflation were taken. Some slackening was evident in the capital goods industries, including production for export.

Holdings of gold and dollars by West European countries continued to rise strongly. As of June 1962 estimated total holdings were about \$28.9 billion, up sharply from \$25.7 billion of June 1961. Particularly large increases were reported in France, Italy, Belgium, Switzerland, and the United Kingdom. Other countries showing substantial gains were Spain, Netherlands, and Sweden. West German holdings declined somewhat but remained large.

Economic integration made some progress in 1962. Greece became a Common Market Associate on November 1, 1962; Norway decided to apply for full membership; Austria, Sweden, and Switzerland applied for associate status; Spain applied for association with ultimate full membership intention; and Portugal signified an interest in opening negotiations for some form of association. The Common Market-United Kingdom negotiations were well advanced but several major issues still awaited resolution. The United Kingdom Government indicated a determination to join the Common Market provided it could successfully negotiate issues important to it and Commonwealth countries. The pace of further negotiations may be slow with candidates for both full membership and association. This is partly because of the volume of work entailed and partly to allow Common Market countries to consider carefully all the implications an expanded Common Market involves.

Internally the Common Market made rapid progress in the nonagricultural sector and was not far behind schedule in the agricultural sector. Some highly important issues awaited resolution in this sector including the ultimate level of grain prices and the disposition of proceeds from the levy system. The dismantling of internal tariffs in the industrial sector was well ahead of schedule with a 50 percent reduction from 1957 levels. This also was matched by the EFTA group, Austria, Sweden, Switzerland, Norway, Denmark, Portugal, and the United Kingdom.

On July 30, 1962, Common Market trading regulations for wheat and flour, feedgrains, pork, eggs and poultry meat, and fruits and vegetables became effective. Regulations on beef, dairy products, and rice are under consideration and probably will be effective by or before February 1963. Some slackening of trade followed the effectuation of the marketing regulations. In part this was because of earlier heavy trade movement in anticipation of the regulations.

During the 4 calendar years, 1958-61, U. S. exports of farm products to West Europe varied between \$1.6 and \$2.1 billion. During 1958-60, the latest years for which data were available total agricultural imports into West Europe averaged \$15.9 billion. The U. S. share of these imports during these 3 years was 11 percent, 11 percent, and 12 percent, respectively. Cotton, including linters, was largest in value followed by feedgrains, tobacco, oilseeds and oils, and wheat and flour. Dollar sales as a proportion of total exports of U. S. farm products to Western Europe steadily increased from 70 percent in 1957 to 85 percent in 1961. Dollar exports of farm products to Western Europe comprised slightly more than 50 percent of U. S. dollar exports to the world in 1961.

During 1961 U. S. farm exports to Western Europe reached \$2.1 billion--up 5 percent from the previous year. This was the second consecutive 5 percent increase in this trade and represented a gain of 27 percent since 1958. This upward trend may be interrupted during 1962-63, as a result of a combination of developments. These are, not necessarily in order of importance: higher production in Western Europe of wheat, feedgrains, and deciduous fruit; some shifts in the pattern of imports of farm products associated with the new Common Market trade regulations; some advance building of import stocks in anticipation of the effective date (July 30, 1962,) of certain of these regulations; and some decline in imports of wheat flour and poultry meat. The overall value of U. S. exports is expected, however, to remain close to the high level of recent years.

Eastern Europe 6/

Eastern Europe suffered another unfavorable crop year and experienced food supply difficulties. The communist regimes failed in their ambitious goals to expand agricultural production. In addition to the problems which perennially plague agriculture in the communist bloc--collectivization, rigid state controls, lack of incentives, shortages of capital, and agriculture's generally disadvantaged position vis-a-vis industry--poor weather and growing conditions were a major contributing factor in the mediocre outlook for 1962-63.

A drought in the fall of 1961 adversely affected winter crops planted for the 1962 harvest. Spring field work was delayed throughout the area by cool wet weather. This condition prevailed also during most of the summer in the northern regions--including East Germany, Poland, and the central and northwestern regions of European U. S. S. R. Conversely, crops, particularly small grains, were hard hit by summer drought in the Danubian countries, the southern region of European U.S.S.R. and many of the eastern Soviet "virgin lands" areas. In the principal Soviet cotton growing regions in Central Asia, considerable replanting of cotton was required and, as in 1961, shortages of irrigation water were experienced.

In the Soviet Union an expansion of the total sown acreage by 27 million acres to over 530 million acres was reported for 1962. This was the largest annual acreage increase since 1955 when the "new lands" campaign was in full swing. Wheat acreage alone increased by 11.5 million acres to a high of 167.5 million acres, bringing it close to the previous record of over 170 million acres reached in 1957. This expansion was accompanied by a considerable restructuring of the crop pattern in order to replace grasses, summer fallow, oats, and other "low yielding crops" with more productive feed grains and forage crops. However, lack of fertilizer, herbicides, machinery, and know-how greatly diminished the effectiveness of this shift. Despite the large increase of acreage, total 1962 crop production in the Soviet Union was below 1961. On the other hand livestock production increased slightly in the U. S. S. R. during 1962.

In other East European countries, there was no mitigating influence of a large acreage expansion. Crop yields and production were below the average and for the most part below 1961. However, in East Germany the 1962 crop production showed a slight improvement over the previous year's exceptionally poor harvest. Increased tobacco production in the Danube area, compared with the very low 1961 outturns, also was reported. There are indications that a shortage of animal feed in many of the East European countries, including the Soviet Union, has led to an increased slaughter of livestock. Some temporary increases in the deficient meat

6/ For the countries included in the Eastern Europe discussion, see table 5.

Table 5.--Eastern Europe: Indices of agricultural production, total and per capita, by countries, prewar and 1960-61 to 1962-63

(1952-53 to 1954-55=100)

Country	Total				Per capita			
	Prewar	1960-61	1961-62	1962-63 1/	Prewar	1960-61	1961-62	1962-63 1/
U. S. S. R.	100	126	129	2/130	101	112	113	112
Other Eastern Europe								
Poland	129	127	134	129	109	115	120	114
East Germany	125	114	98	97	136	121	105	104
Czechoslovakia	138	124	122	114	124	116	114	106
Hungary	112	118	123	121	118	114	117	115
Rumania	100	131	130	125	108	118	117	111
Bulgaria	96	140	135	3/135	106	129	124	122
Yugoslavia	112	153	136	132	127	142	125	120
Total	119	129	126	122	120	121	118	113
Total Eastern Europe	106	127	128	128	107	115	115	113

1/ Forecast. 2/ The slight rise in the index forecast for the U. S. S. R. in 1962-63 is largely due to an increase in meat production. 3/ Crop yields and production were below the average and for the most part below 1961. However, increased tobacco acreage and an improvement in yields over the poor 1961 yields, when tobacco suffered from blue mold, have maintained total agricultural production despite a worsening food situation.

supplies boosted total agricultural production figures. (See table 5.) Sharply increased livestock prices in the Soviet Union and some other East European countries also contributed to increased meat supply. However, increased slaughter may aggravate meat shortages in the future, as was the case in the last half of 1962 in East Germany. In that country the reported spread of foot-and-mouth disease was an added adverse factor in the meat supply situation.

Food shortages were reported during 1962 from a number of East European countries, including the Soviet Union. The food situation was particularly unfavorable in Eastern Germany. Drastic increases of controlled prices of a number of food items and, in some cases, rationing were resorted to by several communist regimes.

Because of the continued stagnation or decline of agriculture, the capability of Eastern Europe to export grain and other foodstuffs during 1962-63 deteriorated. Import requirements of Poland, Yugoslavia, Czechoslovakia, and Hungary increased.

Further steps toward a more complete or tighter collectivization of agriculture were taken during 1962 in East Germany, Czechoslovakia, Hungary, Rumania, and Bulgaria. In Poland and Yugoslavia, where decollectivization took place in the 1950's, small peasant farming continued as the predominant form of agricultural organization. But in both countries, a small socialized sector was favored by the Governments in taxation and the distribution of machinery, fertilizer, and other production requisites. In Yugoslavia, the socialized sector was paid higher prices for the farm products delivered to the Government.

In the Soviet Union a significant policy development in 1962, in addition to the sharp increase of farm and retail prices for livestock products and the restructuring of the crop pattern mentioned above, was a reorganization of the administrative apparatus of socialized agriculture. It reversed the previous trend toward administrative decentralization and was designed to tighten the party-state control over agriculture.

Far East and Oceania 7/

Far East: The economic advance of the Far East struck a slower pace in 1962. In Japan the index of industrial activity rose to 302 in mid-1962 compared to 273 a year earlier (1955=100). This was a reduced rate of growth compared with the fast pace set up to the middle of 1961, reflecting the curtailment in the textile industry. The Indian economy also continued to grow but at a reduced rate, with agricultural production showing virtually no change from the previous year. This was despite a further increase in food grain output to record levels.

Export prices of copra, rubber, and tea found new lows in 1962 while those of jute and tin fell from the abnormal highs of the previous year. Rice and sugar prices rose somewhat in 1962. Wholesale prices in Japan trended downward since late 1961. In India there was an upward trend in the general price level beginning with the second quarter of 1962. Additional fair price shops were being opened, and stepped-up releases of foodgrains through these shops were being made to stem the upward trend in prices. Indonesia continued to suffer from inflation.

Foreign exchange holdings in the region declined about 10 percent from the $5.1 billion level of mid-1961. Much of this decline occurred in Japan, although the situation there has improved since the beginning of 1962. The steady increase shown in Thailand's holdings since 1959 continued into 1962. Foreign aid programs continued to provide substantial support to the economies of India, Pakistan, South Vietnam, Taiwan, and South Korea.

Agricultural production in the Far East increased 1.5 percent in 1962. (See table 6.) The rate of increase has declined each year since 1958, and output per capita remained practically unchanged for the past 3 years. Weather was not a generally limiting factor except in South Korea where crops suffered from early season drought and excessive fall rains. Production of rice and rubber made only slight gains in the region. Wheat, sugar, cotton, tobacco, and tea showed increases of more than 3 percent. Still larger gains were made by livestock products, especially in Japan. Production of pulses was the lowest since 1958. Copra, jute, kenaf, and coffee also showed marked reductions.

Production in India made no gain in 1962. Declines were registered for South Korea, the Philippines, Thailand, and Pakistan, although in West Pakistan production made a good advance. Among the remaining countries, Japan made the most notable increase, and livestock products were the major items of expansion. The improvement in South Vietnam represented a recovery from the low level registered in 1961.

7/ For the countries included in the Far East and Oceania discussion, see table 6.

Table 6.--Far East and Oceania: Indices of agricultural production, 1/ total and per capita by countries, average 1935-39, annual 1960, 1961, and 1962

(1952-54=100)

Country and region	Total				Per capita			
	Average 1935-39	1960	1961 2/	1962 3/	Average 1935-39	1960	1961 2/	1962 3/
Far East								
Afghanistan	4/ 91	114	112	118	4/105	105	101	104
Burma	107	111	113	116	134	97	97	97
Cambodia	88	135	128	156	124	117	109	131
Ceylon	74	119	124	129	106	100	101	102
India	83	127	130	130	102	110	110	107
Indonesia	93	115	117	120	111	99	98	99
Japan	83	143	151	159	102	134	139	146
Laos	70	98	98	98	75	88	86	84
Malaya, Federation of	5/ 72	130	134	139	5/ 96	104	104	105
Pakistan	103	118	122	121	126	102	103	100
Philippines	73	139	144	143	104	111	112	108
Singapore	5/	149	176	176	5/	109	124	120
South Korea	101	123	138	132	142	104	115	106
South Vietnam	172	207	194	206	249	162	147	153
Taiwan	89	128	139	144	144	101	106	107
Thailand	58	134	142	141	75	111	114	109
Total	88	127	131	133	111	110	111	111
Oceania 6/								
Australia	78	125	128	133	103	107	108	110
New Zealand	78	123	125	127	101	105	104	103
Total	78	125	127	132	103	107	107	109

1/ Agricultural production during stated calendar years, except for rice and some minor crops. The figures for these crops also include the production in the early months of the next year. 2/ Preliminary. 3/ Forecast. 4/ Prewar estimated for Afghanistan. 5/ Singapore included with Malaya for prewar period. 6/ Split year 1960-61, 1961-62, 1962-63.

The value of exports from Far East countries in fiscal year 1961-62 was about 4 percent above the previous year despite a further decline in the average export prices. The volume of rubber, rice, jute, and tin exported trended upward in the first half of 1962, whereas tea and sugar held steady. Several countries in the region, as members of the British Commonwealth, are concerned about the outcome of current negotiations for admittance of the United Kingdom to the Common Market, as it may affect their exports to Western Europe.

Imports of all commodities into Far East countries totaled about $16 billion during 1961-62, up 7 percent from the previous year. Total U. S. exports to the region amounted to $3,502 million. Of this total, agricultural products made up $1,180 million, about 14 percent below the level set a year earlier. Most of the decline occurred in exports to Japan, India, and Pakistan. Japan, the largest foreign market for U. S. farm products in most years, took much less cotton in 1961-62 while shipments of grain to India and Pakistan fell off. About half of all U. S. agricultural exports to the Far East moved under Government programs, mainly to India, Pakistan, South Korea, and Taiwan.

Communist China: In April of 1962 the Chinese communists gave official sanction to a policy of increasing emphasis on agricultural development in mainland China. In the absence of widespread natural disasters, with the increased tillage of private plots, and with some expansion of the "free" market, acute food shortages appear to have eased.

Although gross grain production is expected to have risen 8-10 percent in 1962 the Chinese communists have bought substantial quantities of grain from Free World suppliers for 1963 delivery. Raw cotton production is believed to have increased by 5 percent in 1962. Soybean production probably declined slightly although oilseeds production as a whole likely increased.

Oceania: Improvement in economic activity in Australia and New Zealand during 1962 is expected to continue into 1963. Farm production is at high levels in both areas. Record wool clips are forecast for 1962-63, and Australia's sugar and wheat crops are expected to set new records. Meat output in both countries is expected to equal or exceed last year's levels. Meat and wool exports will depend largely on purchases by the United States, the United Kingdom, and Japan, while Australia's 1962-63 sugar crop is already subject to buying commitments of these Nations. Dairy exports from both Australia and New Zealand to the United Kingdom market will be governed by quotas imposed by the British government in 1962.

Australia and New Zealand are pressing for international commodity arrangements to alleviate marketing difficulties created by the United Kingdom's contemplated membership in the Common Market. They are continuing efforts to expand markets for their farm products in the United States, Far East, Middle East, and Latin America.

West Asia 8/

The 1962-63 agricultural output in West Asia shows improvement over that of the last few years largely as a result of better moisture conditions. This reduces considerably the area's net food deficit for 1962-63, but on a per capita basis 1962-63 production exceeds the 1952-54 level by only 1 percent. (See table 7.)

The area's grain production is about 7 percent higher in 1962-63 than last year. Wheat, the most important crop in the area, and barley increased 10 percent. Fruit output probably will rise about 4 percent, reflecting larger crops of citrus, grapes, and dates. Cotton outturn is expected to gain moderately. A small drop is expected in the output of nuts and vegetable oils. Livestock production will remain below average due to extended drought through last year over much of the grazing land.

A spectacular increase in agricultural production is indicated for Syria with production up 60 percent. The 1962 wheat crop is estimated at 1.3 million tons--more than double that of the short crop a year earlier. Barley production totaled 600,000 tons compared with 150,000 tons

8/ For the countries included in the West Asia discussion, see table 7.

Table 7.--West Asia: Indices of agricultural production, total and per capita by countries, average 1935-39, annual 1960-61 through 1962-63

(1952-53 to 1954-55=100)

Country	Total				Per capita			
	Average 1935-39	1960-61 1/	1961-62 1/	1962-63 2/	Average 1935-39	1960-61 1/	1961-62 1/	1962-63 2/
Cyprus	70	101	104	102	96	91	93	89
Iran	84	122	129	127	112	103	107	102
Iraq	60	115	122	131	97	94	97	102
Israel	70	189	213	212	115	148	161	155
Jordan	40	53	93	86	63	42	72	64
Lebanon	79	96	119	123	116	79	96	97
Syria	56	90	106	163	85	70	80	118
Turkey	66	124	120	122	90	102	95	95
Total	69	121	124	129	97	100	99	101

1/ Revised. 2/ Forecast.

the previous year. Turkey, by far the largest producer of the area, showed a gain of 2 percent in total agricultural production. Grains were up 5 percent with the greatest increase in wheat.

In Iran, the second ranking producer of the area, farm production is down slightly in 1962-63 from last year. However, Iran's date crop is double the average of the last 10 years. In Iraq, production increased signficantly. Wheat and barley are expected to reach a million tons each, a gain of nearly a third over the short crops of last year.

Farm output in Israel remains at the record high level of 1961-62. Production in Lebanon increased slightly but per capita output is still below the 1952-54 average. Production in both Cyprus and Jordan declined, with per capita production well below the base period.

Exports of $243 million of U. S. farm products to West Asia in 1961-62 were the highest on record, up 35 percent in 1 year. Exports in 1962-63 should remain near the same level. Turkey and Israel likely will need to import large amounts of wheat, vegetable oils, and other farm commodities. Imports of about 150,000 tons of wheat will be required by Iran. Import needs will be below the total of last year for Lebanon but greater for Cyprus, Israel, and Jordan.

Agricultural exports from West Asian countries in 1962-63 are expected to remain at about $500 million or slightly above. Fruits, nuts, cotton, and tobacco are the principal farm export commodities, with wheat and barley important in some years. Turkey, leading agricultural exporter of the area, likely will export less tobacco and cotton in 1962-63 but Syria should sell about a fifth more cotton than in 1961-62. The most significant development in the West Asia trade pattern is the re-entry of Syria into the export market for grains, with 450,000 tons of barley, and an all-time high of 465,000 tons of wheat.

Africa 9/

Northern Africa: Agricultural production in 1962-63 is expected to be about 2 percent above the record established in 1960-61 and 13 percent above last year. (See table 8.) Grains and

9/ For the countries included in the Africa discussion, see table 8.

Table 8.--Africa: Indices of agricultural production, total and per capita by countries, average 1935-39, annual 1960-61 through 1962-63

(1952-53 to 1954-55 = 100)

Country and region	Total: Average 1935-39	Total: 1960-61 1/	Total: 1961-62 1/	Total: 1962-63 2/	Per capita: Average 1935-39	Per capita: 1960-61 1/	Per capita: 1961-62 1/	Per capita: 1962-63 2/
Northern Africa:								
Algeria	94	116	80	103	119	99	67	84
Egypt	90	127	113	132	123	108	94	107
Ethiopia	76	115	117	119	95	104	104	104
Libya	73	124	166	153	94	112	147	133
Morocco	69	93	70	96	93	75	55	73
Sudan	60	131	158	151	97	107	126	117
Tunisia	75	131	78	103	103	118	69	89
Northern Africa total	80	119	107	121	108	102	89	99
Southern Africa:								
Angola	---	144	144	---	---	132	131	---
Cameroon	---	133	140	---	---	125	131	---
Congo (Leopoldville)	---	94	86	---	---	81	72	---
Dahomey	---	118	126	---	---	97	101	---
Ghana	---	149	149	---	---	120	117	---
Guinea	---	134	133	---	---	108	105	---
Ivory Coast	---	190	157	---	---	162	130	---
Kenya	---	140	145	---	---	119	121	---
Liberia	---	109	109	---	---	107	106	---
Malagasy Republic	---	128	132	---	---	105	106	---
Mali	---	117	114	---	---	102	97	---
Niger	---	170	171	---	---	142	138	---
Nigeria	---	128	123	---	---	112	106	---
Rhodesia and Nyasaland, Federation of	---	161	166	---	---	135	136	---
Rwanda and Burundi	---	91	90	---	---	76	74	---
Senegal	---	143	153	---	---	120	124	---
Sierra Leone	---	103	103	---	---	90	88	---
South Africa, Republic of	---	127	133	---	---	108	110	---
Tanganyika	---	144	146	---	---	127	127	---
Togo	---	141	125	---	---	114	98	---
Uganda	---	123	124	---	---	103	102	---
Upper Volta	---	113	114	---	---	101	100	---
Southern Africa total	80	130	129	133	106	112	108	109
All Africa	80	125	120	128	107	107	101	105

1/ Revised. 2/ Forecast.

cotton are up about 30 percent over last year, pulses and olive oil up about 20 percent, and citrus up 3 percent. Northern Africa remains a food deficit area with per capita output below the 1952-54 average.

Agricultural output in Egypt, the area's No. 1 producer, is expected to be about 17 percent greater in 1962-63 than in the preceding year. Its new cotton crop is the second largest crop on record. Production of grains and vegetables is also near record levels. The rice crop is double last year's. Production of grains and oilseeds in Ethiopia remains unchanged. The coffee crop is up 5 percent and nearly double the average in 1952-54. Sudan's cotton crop approaches last year's record. Substantial gains in production are expected for 1962-63 in Morocco, Algeria, and Tunisia. However, agricultural production in these countries on a per capita basis will be far below the 1952-54 level.

Exports of U. S. farm products to the area have risen steadily from $33 million in 1957-58 to a record high of $290 million in 1961-62. It is unlikely that this trend will continue into 1962-63 in view of the improved agricultural situation of the area. Egypt, the largest importer of U. S. agricultural commodities in the area, mostly as aid, will continue to import large quantities of bread grains and vegetable oils.

More agricultural products will be available for export from the area in 1962-63 than last year, principally cotton, rice, and feed grains. Exports of coffee, oilseeds, citrus, and wine will be up slightly.

Southern Africa: The wave of political activity and emerging independence which covered much of Africa south of the Sahara in the past 2 years has not had a noticeably depressing effect on agricultural production except in the Republic of the Congo. Output in the area in 1961-62 remained near the record high level of the preceding year. On a per capita basis it declined 3 percent but was well above the 1952-54 average. The area remains largely self-sufficient in food; wheat is the chief import need. For 1962-63, agricultural production is expected to resume its upward trend, increasing at a rate slightly greater than population growth.

Significant developments in agricultural production in the area in 1961-62 were changes in the output of peanuts, cocoa, and coffee - important export items. Peanut production in 1961-62 rose to a level close to the record high of 1957-58. Coffee production declined 13 percent from the previous year. The cocoa crop dropped nearly 4 percent. For 1962-63 production of both coffee and cocoa is expected to be at record levels.

In the Republic of South Africa, farm output increased 5 percent in 1961-62 with a gain on a per capita basis of 2 percent. Corn production was up 15 percent over the previous year, and citrus output was at a record high with a 26 percent increase. Nigeria incurred a 5 percent drop in agricultural production in 1961-62. Its peanut crop, the largest in Africa, was near record level, but the cocoa and cotton crops were down. Nigeria became Africa's largest producer of rubber in 1961-62. Agricultural production in the Republic of the Congo continued its downward trend with output per capita less than 75 percent of the 1952-54 average. Food shortages were alleviated with imports from the United States. Senegal's peanut crop has been increasing steadily and set a new record in 1961-62. Coffee production in Angola was up substantially permitting that country to become the third largest coffee producer in the world. Cocoa production in Ghana, the world's largest producer, was down about 5 percent in 1961-62. A 270 million-pound tobacco crop in the Federation of Rhodesia and Nyasaland in 1961-62 established a new peak for that country.

U. S. exports of agricultural commodities to Africa south of the Sahara totaled $89 million in 1961-62, a new record high and an increase of nearly 15 percent over the preceding year. The Republic of South Africa was the area's leading buyer of U. S. farm products. It was also the leading exporter of agricultural commodities in Southern Africa, and the world's third largest exporter of corn.

FIVE REGIONAL SUPPLEMENTS TO BE ISSUED

More detailed statements of the situation by regions will be issued in five publications in late January and February, 1963. Separate reports will be presented on each of the following: Western Hemisphere, Western Europe, Eastern Europe, Far East, and combined Africa and Middle East. Publications will be complete with text, tables, and charts. Subscribers to The 1963 World Agricultural Situation automatically will receive the Supplements. Others interested in obtaining copies should write: Division of Information, Management Operations Staff, Agricultural Economics, USDA, Washington 25, D. C.

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